



SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI

CIRCUIT CRIMINAL DIVISION-
FINANCE DEPARTMENT - CASH BOND DEPOSITS

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-39
June 16, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

The following problems were discovered in the Circuit Clerk's office in the Twenty-Second Judicial Circuit, St. Louis City, Missouri. The Twenty-Second Judicial Circuit Criminal Division - Finance Department, is responsible for the accounting and reporting of funds deposited with the court in relation to criminal cases, including cash bond payments.

--

Our audit uncovered theft; information gathered during our review was turned over to the St. Louis City Circuit Attorney's Office and the St. Louis Metropolitan Police Department. The cashier/bookkeeper responsible for collecting some cash bond payments and recording all cash bond activity has been indicted by the circuit's grand jury for stealing.

All thefts reported in our audit occurred prior to January 1, 1999.

During our audit, we noted discrepancies between receipt records for cash bonds, monies deposited into the Finance Department's bank account, and other supporting bond records. Cash bond monies of at least \$9,300 were taken and receipt records were altered to conceal the shortages.

Our review of the Finance Department's bond records noted the amounts paid for some of the cash bonds shown on the copy of the original receipt slip did not agree to the amounts on the receipt ledger. The amount recorded on the one-write receipt ledger had been altered after the original receipt slip was issued to reflect a lesser amount. These alterations were done to conceal the cash collected from bonds which was not deposited, but rather taken by an employee. Fifteen cash payments for bonds posted between December 20, 1997 and November 21, 1998, were altered and therefore portions of the cash bond payments received, totaling \$9,300, were not properly recorded and deposited.

The missing money went undetected throughout the period noted due to weaknesses in several internal controls and reconciliation procedures, and a lack of segregation of duties.

The duties of receiving and recording cash bond monies collected by the Finance Department were not adequately segregated. The former bookkeeper performed both of these duties, as well as processing and recording bond disbursements. No one independent of the process reconciled bond receipts recorded in the one-write receipt ledger with amounts recorded in other bond records.

A list of the bonds received, but not paid out, has not been adequately maintained. This list should not only be accurately maintained, but reconciled to the balance in the bond account. The failure to reconcile the listing of bonds not yet paid out, to the money available to pay them in the bank, has contributed to the failure to detect the missing money.

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-2
HISTORY AND ORGANIZATION	3-4
EXECUTIVE SUMMARY.....	5-6
MANAGEMENT ADVISORY REPORT	7-11

<u>Number</u>	<u>Description</u>	
1.	Missing Funds.....	8
2.	Accounting Controls and Procedures.....	9



CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Judge and Court en banc
and
Circuit Clerk
Twenty-Second Judicial Circuit
St. Louis City, Missouri

We have conducted a special review of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, Circuit Criminal Division - Finance Department - Cash Bond Deposits. The scope of this review included, but was not limited to, the period of July 1, 1997 through December 31, 1998. The objectives of this review were to:

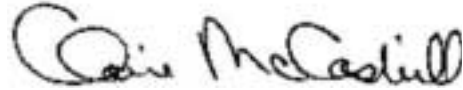
1. Investigate suspected irregularities in the collection, recording, and depositing of bond receipts and the related record-keeping system.
2. Determine the amount of funds misappropriated from this department.
3. Review and evaluate certain controls and procedures regarding the collection of and accounting for bond receipts related to the misappropriation.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of the Circuit Criminal Division - Finance Department and interviewed personnel of the department.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in the review of the Circuit Criminal Division - Finance Department - Cash Bond Deposits.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Twenty-Second Judicial Circuit, St. Louis City, Missouri, Circuit Criminal Division - Finance Department - Cash Bond Deposits.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

April 30, 1999 (fieldwork completion date)

HISTORY AND ORGANIZATION

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS
HISTORY AND ORGANIZATION

Organization

The Twenty-Second Judicial Circuit includes only St. Louis City. The circuit consists of twenty-four circuit judges, one of whom serves as presiding judge, seven associate circuit judges, and four commissioners.

In addition to the judges and commissioners, the personnel of the Twenty-Second Judicial Circuit, St. Louis City, Missouri includes a circuit clerk, twenty-six court reporters, a court administrator, a jury supervisor, a juvenile officer, and approximately 480 other court employees. Approximately 189 of these employees work under the supervision of the Circuit Clerk.

The Circuit Clerk is elected for a four-year term. The Circuit Clerk's Office plans, assigns, coordinates, and supervises the operation and administration of the circuit court presided over by the circuit judges. Duties of the Circuit Clerk include: docketing, clerical tasks, documentation of court matters, accounting and recording, receipting and disbursing funds through the circuit and associate circuit divisions, and administering most of the operations of the court.

The Circuit Clerk's Criminal Division-Finance Department is responsible for the collection and recording of bonds, restitution, fees, fines and court costs for criminal cases heard in the Circuit Court in the city of St. Louis, Missouri.

Personnel

The Honorable Michael B. Calvin was elected by the judges as Presiding Circuit Judge for a two year term on January 1, 1999.

Mariano V. Favazza was elected Circuit Clerk in November 1998 and replaced Mavis T. Thompson, effective January 1, 1999.

The Circuit Criminal Division-Finance Department consists of six positions: a supervisor, an assistant supervisor, a bookkeeper, two cashiers, and a backup cashier. Due to personnel turnover, some of these positions have occasionally been vacant. The Circuit Criminal Division also includes a Case Processing Department with 43 supervisory and clerical positions.

EXECUTIVE SUMMARY

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS
EXECUTIVE SUMMARY

Weaknesses in the internal controls and record-keeping system of the Circuit Clerk's Criminal Division - Finance Department allowed a misappropriation of cash bond deposits of at least \$9,300 to occur during the period December 20, 1997 through November 21, 1998. Some cash bond monies were not properly recorded and cash was taken. Receipt records were altered to conceal the shortages.

This situation could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the accompanying Management Advisory Report had been established. Some of the same recommendations were also made in our prior audit report dated June 26, 1997.

MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF THE
TWENTY-SECOND JUDICIAL CIRCUIT
ST. LOUIS CITY, MISSOURI
CIRCUIT CRIMINAL DIVISION - FINANCE DEPARTMENT - CASH BOND DEPOSITS
MANAGEMENT ADVISORY REPORT

The Twenty-Second Judicial Circuit, St. Louis City, Missouri, Circuit Criminal Division - Finance Department, is responsible for the accounting and reporting of any funds deposited with the court in relation to criminal cases.

During our audit of the Office of Circuit Clerk, Twenty-Second Judicial Circuit, St. Louis City, Missouri, we noted discrepancies between receipt records for cash bonds, monies deposited into the Finance Department's bank account, and other supporting bond records. This special review was performed to more fully review the circumstances of these discrepancies and to determine the extent of misappropriated bond monies.

1.	Missing Funds
-----------	----------------------

The Circuit Criminal Division - Finance Department accepts cash, money orders, and attorneys' checks for payment of cash bonds and bond forfeitures. The Finance Department directly receives, either at the payment windows or through the mail, these payments during regular working hours. In addition, the department receives from the Pre-Trial Release Office (PTR), checks for bonds collected outside normal working hours. Bond payments are accompanied by bond index cards prepared by either the Circuit Criminal Division - Bonding Department or the PTR. These index cards indicate the amount of bond monies required to be paid to the Finance Department. Bond monies received are recorded in a one-write receipt system and are deposited into the Finance Department's bank account. The bonds are then recorded in a bond ledger and the bond index cards filed. The receipt slip is taken to the Bonding Department where a copy of the original receipt slip is made and filed in the case file. When applying for a bond refund, the payor must return the original receipt slip, which is then retained by the Finance Department.

During our review of the Finance Department's bond records, we noted the amounts paid for some of the cash bonds shown on the copy of the original receipt slip did not agree to the amounts on the receipt ledger. The amount recorded on the one-write receipt ledger had been altered after the original receipt slip was issued to reflect a lesser amount. These alterations were done to conceal the cash collected from bonds which was not deposited. Fifteen cash payments for bonds posted between December 20, 1997 and November 21, 1998, were altered and therefore portions of the cash bond payments received, totaling \$9,300, were not properly recorded and deposited.

The misappropriation went undetected throughout the period noted due to weaknesses in several internal controls and reconciliation procedures, and a lack of segregation of duties as discussed later in this report.

In April 1999, the employment of the cashier/bookkeeper responsible for collecting some cash bond payments and recording all cash bond activity was terminated.

Information gathered during our review has been turned over to the St. Louis City Circuit Attorney's Office and the St. Louis Metropolitan Police Department.

WE RECOMMEND the Circuit Clerk work with law enforcement officials regarding restitution of the missing monies and any criminal prosecution considered necessary.

AUDITEE'S RESPONSE

We agree. We will completely cooperate with the prosecution of the case and have contacted the Office of the State Courts Administrator (OSCA) to initiate the process for reimbursement under the state blanket bond. Restitution, if forthcoming, would go to reimburse the state bond.

In addition, the newly employed internal auditor is reviewing each transaction of every employee who had similar unsegregated duties in earlier time periods which could have permitted them to commit similar acts of fraud. We intend to investigate any identified shortage through to resolution and will refer any suspicious acts to the proper law enforcement agency.

In addition, since May 1, 1999, the Criminal Finance Department has gone online with a computerized cashiering system similar to what is used for the Civil Cashier's Office. We will continue to operate the manual system parallel to the computerized system until we are reasonably certain that the computerized system is accurately recording transactions. Had the computerized system been in place since December 20, 1997, we believe the loss would have been identified at the time of the occurrence. The new system is designed to track receipts and disbursements for each category of transaction. The system will provide an accurate open-items listing and the cashiering system activity will be tied out with the Bonding Department system.

2. Accounting Controls and Procedures
--

- A. A listing of bonds received and not yet paid out is to be prepared semiannually by the Finance Department. The Finance Department personnel could not locate open-items listings prepared prior to December 31, 1998. In addition, the bond open-items listings do not reconcile to the balance in the bond account. The total identified open items at December 31, 1998, exceeded the balance in the general ledger bond account

at that date by \$638,112. The difference between the open-items listings and the balance in the bond account fluctuates. The total identified open items at June 30, 1997, exceeded the balance in the bond account at that date by \$374,772. The failure to reconcile the open-items listing to the balance in the general ledger bond account on a periodic basis has contributed to the failure to detect the misappropriation noted above.

The listing of bond open-items prepared from all open bonds in the bond ledger at December 31, 1998 is not accurate. Errors were made by the Finance Department personnel when recording bond receipts and disbursements to the bond ledger. Duplicate receipt entries were made, bond forfeitures were recorded to the bond ledger in error, several fugitive bonds disbursed to other municipalities were never recorded in the bond ledger, and some other disbursements of bonds were not recorded. To properly account for all bonds, the Finance Department should ensure all bond receipts and disbursements are correctly posted to the various accounting records.

A complete and accurate open-items listing is necessary to ensure bonds are properly recorded and deposited and to ensure the monies held in trust by the Circuit Clerk are sufficient to meet liabilities. Open-items listings should be prepared timely and reconciled to the balance in the general ledger bond account.

- B. The duties of receiving and recording cash bond monies collected by the Finance Department were not adequately segregated. The former Bookkeeper performed both of these duties, as well as processing and recording bond disbursements. No one independent of the process reconciled bond receipts recorded in the one-write receipt ledger with amounts recorded in other bond records.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by designating an employee without access to cash to perform a reconciliation or periodically review amounts recorded in the bond records and the one-write receipt ledger.

Similar conditions were noted in our prior report.

WE RECOMMEND the Circuit Clerk:

- A. Investigate and resolve differences between the open-items listings and the balances in the general ledger bond account. Any identified shortage should be investigated and resolved. All bond receipts and disbursements should be properly recorded to the bond ledger, and accurate open-items listings should be prepared periodically and reconciled to the balance in the general ledger bond account.

- B. Provide for an adequate level of segregation of duties between receiving, recording, and depositing monies collected by the Criminal Finance Department. In addition, the Circuit Clerk should provide for a documented review of accounting records by an independent person.

AUDITEE'S RESPONSE

- A. We agree. It is our intention to resolve the differences between the open-items listing and the corresponding general ledger account and the bank account. The lack of automation in the Criminal Finance Department makes this process very difficult. We will need to develop an open-items listing for all types of receipts and to correct the open-items listing for bond receipts. This process is one of a "special project" nature and we will proceed on this matter once we have corrected ongoing financial practices and records for 1999 activity and forward. We will consult with CPAs from OSCA, the State Auditor's office, and outside firms in developing the procedures to be followed in addressing these issues.
- B. We agree. Prior to the discovery of the theft there were plans to reorganize the Criminal Finance Department and segregate responsibilities and duties. Since the discovery of the theft, the office has undertaken the assignments to segregate duties and responsibilities for receiving, recording, and depositing monies collected by the Criminal Finance Department.

An Account Clerk III position has been redefined to undertake the bookkeeping process that is still being done by hand awaiting the completion of the computerized cashiering system. At present, no cashier who receipts money has any bookkeeping function, except completing the financial transaction on the one write system and placing the transaction into the computerized cash register. Under the current system, there is a supervisor who presently supervises the three cashiers and is responsible for the receiving and depositing of cash and checks. All other bookkeeping and taxing functions are done by employees not under the cashiers' supervisor. We believe by these actions we have complied with the recommendation.

This report is intended for the information of the judicial circuit's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *